

Message Text

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43

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02 STR-08 TRSE-00

LAB-06 SIL-01 OMB-01 AGR-20 RSR-01 /111 W
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R 301642 Z APR 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 8493

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PRIS

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

AMCONSUL MILAN

AMCONSUL TURIN

AMCONSUL NAPLES

AMCONSUL GENOA

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E. O. 11652: N/ A

TAGS: ETRD, EEC, EFTA IT

SUBJECT: EC/ EFTA NON- APPLICANTS- RULES OF ORIGIN (R/ O)

REF: STATE 58443

STATE PASS COMMERCE

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1. EMBASSY, WITH COOPERATION POSTS IN MILAN, TURIN, NAPLES, GENOA, HAS CONDUCTED SURVEY OF ITALIAN COMPANIES, IMPORTERS, AND AMERICAN SUBSIDIARIES OPERATING IN INDUSTRIES REFTEL PARA 8. MISSION ALSO CONTACTED CHAMBERS COMMERCE, TRADE ASSOCIATIONS AND CUSTOMS OFFICIALS.

RESULTS BELOW INDICATE MOST COMPANIES FEEL NEW R/ O' S DO NOT RPT NOT HAVE SIGNIFICANT IMPACT ON IMPORTS OF US COMPONENTS FOR SEVERAL REASONS:

A) NEW RO/ O BARELY ENACTED AND BECAUSE OF COMPLICATED RULES, THE ARE NOT BEING EXPLAINED OR ENFORCED WITH ANY SPECIAL ENTHUSIASM; B) MANY EXPRESS DOUBT SIGNIFICANT EFFECT BECAUSE RECENT DOLLAR DEVALUATION VIS- A- VIS OTHER EC AND EFTA SUPPLIERS SUFFICIENT TO DIMINISH DIS-ADVANTAGES CAUSED BY TARIFF EFFECT OF R/ O AS FAR AS ITALY IS CONCERNED; C) EFTA NON- APPLICANTS NOT MAJOR ITALIAN TRADE PARTNERS; AND D) US ORIGIN INPUT FOR TECHNOLOGICAL AND SPECIALIZED REASONS MILITATE AGAINST CHANGE.

2. REACTION OF VARIOUS INDUSTRIES SPECIFIED FOLLOWS:

A) MOTOR VEHICLES: NIL SINCE NO US- ORIGIN ASSEMBLY PLANTS LOCATED IN ITALY. FIAT AND LANCIA WHICH USE SMALL PERCENTAGE US COMPONENTS SAID THEY UNLIKELY SACRIFICE HIGH QUALITY US INPUT GIVEN MARGINAL SALES POTENTIAL OFFERED BY EFTA MARKET.

B) ELECTRICAL MEASURING INSTRUMENTS: TRADE REPS STATE R/ O EFFECT NEGLIGIBLE UNDER PRESENT EXCHANGE RATES BUT ARE UNCERTAIN AS TO LONG TERM EFFECT;

C) ELECTRONIC COMPONENTS FOR RADIO/ TV INDUSTRY: NO SUBSTANTIAL EFFECT BECAUSE 1) US ORIGIN COMPONENTS BUILT INTO SETS REPRESENT SMALL PROPORTION OF VALUE FINISHED PRODUCT AND 2) COMPONENTS FOR CONSUMER GOODS ALREADY MANUFACTURED LARGELY IN ITALY, INCLUDING US SUBSIDIARIES; D) ELECTRONIC COMPONENTS FOR TELECOMMUNICATIONS: SEVERAL LARGE COMPANIES INTERVIEWED EXPECT NO SIGNIFICANT DIVERSION FROM PRESENT US SOURCES BECAUSE OF SPECIFICATIONS AND QUALITY REQUIREMENTS BY PROFESSIONAL TELECOMMUNICATIONS. REVALUATION FRENCH AND GERMAN CURRENCIES OFFSET R/ O EFFECT, BUT UK SOURCE COMPONENTS COULD GAIN UNDER PRESENT EXCHANGE RATES. HOWEVER, ITALIAN TRADE REPORTS UK DOMESTIC DEMAND ABSORBING UK OUTPUT. FIRMS ALSO POINT OUT THAT SAVINGS FROM LIMITED OFFICIAL USE

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R/ O TARIFF EFFECT INSUFFICIENT TO JUSTIFY SUBSTITUTIONS FOR WHAT WOULD BE PORTION OF THEIR USUAL MARKET;

E) CALCULATING MACHINES: LEADING US SUBSIDIARY FEELS THAT R/ O WILL HAVE LITTLE OR NO EFFECT SINCE EFTA COUNTRIES NOT SUBSTANTIAL PORTION THEIR MARKET THIS FIELD, TARIFF REDUCTIONS PHASED OVER FIVE YEARS, AND ADVANTAGES SUCH REDUCTIONS NULLIFIED BY RECENT DOLLAR DEVALUATION. OTHER MANUFACTURERS OLIVETTI, IBM, CONFIRM THIS VIEW ALSO POINTING OUT THAT TARIFFS PRESENTLY LOW FOR THIS ITEM AND CAN SATISFY R/ O CRITERIA WITHOUT CHANGING SOURCE COMPONENTS.

ONLY A VERY MINOR CONSIDERATION IN PURCHASING AND MARKETING DECISIONS;

F) CHEMICALS: DIVERSION INSIGNIFICANT BECAUSE IMPORTED US CHEMICALS USED IN FURTHER PROCESSES ARE SPECIALTIES AND OF TYPE NOT READILY AVAILABLE FTA SOURCES. ALSO, INSTANCES RARE WHERE CIF VALUE OF US INGREDIENTS EXCEED 50 PERCENT OF LIST A CHEMICALS OR 20 PERCENT OF LIST B CHEMICALS UNDER NEW R/ O;

G) TEXTILES: MANUFACTURERS TEXTILE FABRICS STATE INDUSTRY WILL REMAIN RELATIVELY UNAFFECTED BECAUSE OF LOW QUANTITY US- ORIGIN SEMI-FINISHED MATERIALS IN FINAL PRODUCT;

H) PAPER PRODUCTS: IN EXCEPTION OTHER CATEGORIES, MORE STRINGENT R/ O COULD MEAN SOME SHIFT FROM US PROCUREMENT TOWARD EFTA COUNTRIES.

THIS NOT AS LIKELY FOR PURCHASE OF RAW MATERIALS (PRIMARILY CELLULOSE) AS FOR SEMI- FINISHED PRODUCTS. CELLULOSE IS IMPORTED CHIEFLY FROM SCANDINAVIA WHILE SEMI- FINISHED KRAFT PAPER COMES PRINCIPALLY FROM US. THERE COULD BE A SHIFT TO PROCUREMENT FROM SCANDINAVIA IF THE PERCENTAGE BY VALUE OF KRAFT PAPER IN THE FINISHED PRODUCT EXCEEDS THE MAXIMUM RATION ALLOWABLE TO QUALIFY FOR EXCEPTION UNDER NEW R/ O;

I) PUMPS: BOTH AMERICAN SUBSIDIARIES AND ITALIAN MANUFACTURERS STATE THEY INCLUDE US COMPONENTS EITHER FOR SPECIAL ORDER OR IN SUCH SMALL RATIO AS NOT TO CONSTITUTE PROBLEM.

3. MISSION AND CONSULAR POSTS HAVE THUS FAR RECEIVED NO COMPLAINTS FROM LOCAL AMERICAN SUBSIDIARIES RE EFFECT OF R/ O.

4. MISSION WILL KEEP ALERT TO AND REPORT ON ANY R/ O IMPACT THAT LIMITED OFFICIAL USE

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COMES TO OUR ATTENTION INCLUDING EFFECT ON OTHER PRODUCTS, E. G.
IN AGRICULTURAL FIELD. VOLPE

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 30 APR 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ROME03359
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730452/aaaaixnp.tel
Line Count: 174
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 STATE 58443
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 15 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Aug-2001 by martinml>; APPROVED <10-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980203
Subject: EC/ EFTA NON- APPLICANTS- RULES OF ORIGIN (R/ O)
TAGS: ETRD, IT, EEC, EFTA
To: BERN
BONN
BRUSSELS
COPENHAGEN
DUBLIN
EUR
HELSINKI

LISBON

SECSTATE WASHDC

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005